

ARVIN-EDISON WATER STORAGE DISTRICT

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August 8, 2003

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Tom Carter, Power Operations Manager
Western Area Power Administration
114 Park shore Drive
Folsom, CA 95630-4710

RE: Comments on Post-2004 Operational Alternatives

Dear Mr. Carter:

The Arvin-Edison Water Storage District ("Arvin-Edison" or "District") submits these comments in response to Western's June 24, 2003 Federal Register notice concerning post-2004 CVP system operational alternatives. Arvin-Edison currently has a contract rate of delivery of 30 megawatts, and has signed a Base Resource Contract with Western for continued electric service beginning January 1, 2005. The District currently meets its entire agricultural pumping load with CVP power, and anticipates continuing to satisfy most or all of its pumping loads after 2004 with a combination of CVP base resource and Western-marketed custom products.

Arvin-Edison, Western and PG&E are parties to a special set of FERC-jurisdictional distribution service agreements under which CVP power is wheeled beyond the District's Contract 2948A delivery point at the Forrest Frick Pumping Plant to the District's various pumping installations pursuant to a single-point metering arrangement. This metering arrangement was an essential element of the planning and feasibility of Arvin-Edison's conjunctive-use distribution system, which uses a combination of groundwater and surface water to satisfy irrigation demands. Arvin-Edison agreed to forgo construction of its own electric distribution system in the mid-1960's in return for PG&E's agreement to wheel CVP power to multiple pumping installations on a single-point-metered basis. It is important that, whatever operational alternative is selected for the post-2004 contract term, Western will support a continuation of the single-point metering arrangement for distribution-level wheeling to Arvin-Edison's individual pumping loads.

Arvin-Edison is in discussions with other similarly situated districts to form a Joint Powers Authority (JPA) for purposes of maximizing the efficient use of their respective CVP base resource allocations and providing a vehicle to obtain wholesale transmission service via the PG&E/CAISO system. Interconnection of the District or JPA facilities to the PG&E grid via some control area is a key element of our planning and is of serious concern. In that light, we offer these comments on Western's evaluation of forming a federal control area (FCA).

Despite the best of intentions and a talented staff, the California Independent System Operator (CAISO) is mired in unwieldy governance that results in perpetual tariff revisions and market redesigns. Each revision results in added costs and complexity that bog the CAISO with some of the highest overhead expenses, and hence the highest grid management costs of any current ISO or RTO in the nation. This does not portend for a durable future on which to plan our operations; accordingly, we support Western's investigation of an FCA alternative.

Arvin-Edison is situated at the southern end of the Central Valley, well outside Western's proposed FCA boundary. As a non-directly connected customer of Western, it is unclear to the District how (if at all) it would participate in the prospective federal control area. We encourage Western to insure that the FCA alternative, if adopted, inures to the benefit of *all* CVP power customers, including those indirectly connected to Western's transmission system. We see no reason why an FCA could not provide a number of control area services (*e.g.*, load following and related services) over PG&E/CAISO facilities.

The District is concerned that the creation of an FCA could result in yet another layer of bureaucracy and duplicative charges for control area services by the two separate control area operators with which Arvin-Edison and similarly situated customers must deal. To the maximum extent possible, Western should structure its operations so that its customers avoid pancaked charges for either transmission or control area services. To the extent pancaked transmission access charges cannot be avoided, Western should mitigate the cost impact of multiple charges by spreading the net economic benefits of an FCA to all customers, whether physically located inside or outside the FCA geographical boundaries. In addition, we encourage Western to set out a schedule and metering standards for participation in a new control area.

While Western's staff appears to lean toward the FCA alternative, other alternatives deserve serious and objective consideration. Neighboring entities such as Sacramento Municipal Utility District and Bonneville Power Authority are already operational. We understand that other public agencies are also considering forming control areas. Western should evaluate the option of joining with other public agencies to form a multi-agency public power control area in lieu of a Western-only FCA. In addition, we urge Western to give serious consideration to the metered subsystem alternative which the CAISO evidently prefers and which, we understand, the Bureau of Reclamation also feels may be the best alternative. If nothing else, it may be worthwhile "investing" in a metered subsystem as a prelude to control area formation to buy the necessary time for a less hurried and more carefully implemented Federal Control Area.

So long as Western takes into account and protects the interests of agricultural power customers like Arvin-Edison, the District will support whatever operational alternative is ultimately selected. In any event, the District will require Western's assistance and support in securing post-2004 distribution arrangements for delivery of CVP base resource and custom product to individual pumping installations on terms similar to those currently in effect under the existing wheeling agreements.

We appreciate the opportunity to provide these comments, and commend Western and its staff for the forward thinking employed to address these important issues.

Sincerely,

Steven Collup
Engineer-Manager

cc: Mike McCarty
Stuart Robertson
Steve Lewis